

NorthPoint Energy Solutions Inc.

A SUBSIDIARY OF SASKPOWER | **FINANCIAL STATEMENTS 2008**

REPORT OF MANAGEMENT

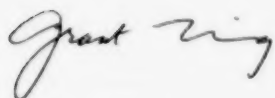
The financial statements of NorthPoint Energy Services Ltd. (the company) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to February 6, 2009.

Management maintains appropriate systems of internal control which provide reasonable assurance that NorthPoint's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable, and accurate and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures, as well as appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee of the Board of Directors.

The Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit and Finance Committee consists entirely of outside Directors. At regular meetings, the Committee reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the external auditors' report have been reviewed by the Audit and Finance Committee and have been approved by the Board of Directors. The internal and external auditors have full and open access to the Audit and Finance Committee, with and without the presence of management.

The financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of management,



Grant Ring, FCMA
President & Chief Executive Officer
February 6, 2009



Patricia Hall, CA
Chief Financial Officer

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of financial position of *Northpoint Financial Services Inc.* as at December 31, 2008, and the statements of income and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan

February 6, 2009

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(in thousands)

For the year ended December 31

	2008	2007
Revenue		
Electricity trading (Note #)	\$ 125,129	\$ 124,483
SaskPower services	7,407	7,676
Other	900	1,127
Total revenue	133,436	133,286
Expense		
Electricity trading	108,187	114,111
Electricity trading market value losses (Note #)	98	129
Administration	6,748	6,123
Total expense	115,033	120,363
Net income	18,403	12,923
Other comprehensive income	-	-
Total comprehensive income	\$ 18,403	\$ 12,923

See accompanying notes

STATEMENT OF RETAINED EARNINGS

(in thousands)

For the year ended December 31

	2008	2007
Retained earnings, beginning of year	\$ 6,391	\$ 4,972
Change in accounting policy	-	127
Net income	18,403	12,923
Dividends	(16,562)	(11,631)
Retained earnings, end of year	\$ 8,232	\$ 6,391

See accompanying notes

STATEMENT OF FINANCIAL POSITION

(in thousands)

As at December 31

2008

2007

ASSETS

Current assets

Cash and cash equivalents	\$	33,380	\$	25,480
Accounts receivable		6,338		10,885
Prepaid expenses and deposits		2,004		83
Due from SaskPower		2,535		—
Risk management assets (Note 8)		469		132
Total assets	\$	44,726	\$	36,580

LIABILITIES AND EQUITY

Current liabilities

Accounts payable and accrued liabilities	\$	9,363	\$	7,770
Due to SaskPower		—		654
Dividends payable		16,562		11,631
Risk management liabilities (Note 8)		569		134
Total liabilities		26,494		20,189

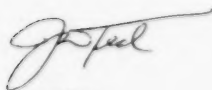
Equity

Share capital (Note 5)		10,000		10,000
Retained earnings		8,232		6,391
Total equity		18,232		16,391
Total liabilities and equity	\$	44,726	\$	36,580

Commitments (Note 11)

See accompanying notes

On behalf of the Board:



Joel Teal
Chair



Mick MacBean
Director

STATEMENT OF CASH FLOWS

(in thousands)

For the year ended December 31

	2008	2007
Operating activities		
Net income	\$ 18,403	\$ 12,923
Add items not involving cash:		
Electricity trading market value losses	98	129
Net change in non-cash working capital:		
Accounts receivable	4,547	(811)
Prepaid expenses and deposits	(1,921)	241
Due to/from SaskPower	(3,189)	1,549
Accounts payable and accrued liabilities	1,593	1,069
	1,030	2,048
Cash provided by operating activities	19,531	15,100
Financing activities		
Dividends paid	(11,631)	(15,884)
Cash used in financing activities	(11,631)	(15,884)
Increase (decrease) in cash	7,900	(784)
Cash and cash equivalents, beginning of year	25,480	26,264
Cash and cash equivalents, end of year	\$ 33,380	\$ 25,480
Supplemental information:		
Cash paid for capital tax	\$ 9	\$ 6

1. STATUS OF THE CORPORATION

NorthPoint Energy Solutions Inc. (NorthPoint) was incorporated pursuant to *The Business Corporations Act (Saskatchewan)* effective October 17, 2001, and began operations November 1, 2001. NorthPoint is a wholly-owned subsidiary of Saskatchewan Power Corporation (SaskPower). Accordingly, the financial results of NorthPoint are included in the consolidated financial statements of SaskPower.

NorthPoint has a service agreement with SaskPower authorizing NorthPoint to perform electricity trading functions related to the generation assets of SaskPower, to coordinate utility generation output, and to manage SaskPower's natural gas supplies for its natural gas-fired power plants. SaskPower services revenue provides approximately 6% (2007 – 6%) of NorthPoint's total revenue.

As a subsidiary of a provincial Crown corporation, NorthPoint is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

(a) Use of estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates are described in the following summary of significant accounting policies. Actual results could differ from those estimates, which may impact actual results reported in future periods.

(b) Revenue recognition

NorthPoint engages in wholesale electricity trading transactions which do not relate to the generation assets of SaskPower. NorthPoint acts as a principal in these electricity trading transactions, taking title to the electricity purchased for resale, and assuming the risks and rewards of ownership. NorthPoint also uses derivatives in its trading activities to earn trading revenues. Electricity trading revenue is recorded on a gross basis as delivered. Electricity trading revenue not billed by year-end is accrued based upon estimated electricity delivered.

NorthPoint provides generation and load management services for SaskPower by coordinating the utility generation output. This revenue is recognized as it is earned and is included in SaskPower services revenue.

NorthPoint acts as an agent of SaskPower and is responsible for the performance of electricity trading functions related to the generation assets of SaskPower, both in order to realize savings from import purchases and export contributions. NorthPoint receives commissions for the performance of this service. Commission revenue is recognized as the electricity trades are conducted and is included in SaskPower services revenue.

NorthPoint provides gas management services for SaskPower by coordinating and balancing SaskPower's natural gas requirements, managing injections to and withdrawals from SaskPower's natural gas storage assets, and managing natural gas price risk with physical and financial hedging activity. NorthPoint acts as an agent of SaskPower and is responsible for the performance of gas purchasing functions related to the natural gas storage assets of SaskPower. Costs of gas purchases are not recorded by NorthPoint, as SaskPower continues to be responsible for all financial obligations relating to natural gas purchases and hedging activity. Gas management revenue is recognized as it is earned and is included in SaskPower services revenue.

(c) Foreign currency translation

Revenue and expenditures resulting from transactions in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate in effect on the balance sheet date. Any resulting foreign currency translation gains and losses are included in the statement of income in the current period.

(d) Cash and cash equivalents

Cash and cash equivalents include short-term investments made by SaskPower on NorthPoint's behalf that have a maturity date of 90 days or less from the date of acquisition. These investments are carried at fair value.

(e) Financial instruments

NorthPoint classifies its financial instruments into one of the following categories: held-for-trading; loans and receivables; and other liabilities (*Note 8*). All financial instruments are measured at fair value on initial recognition and recorded in the statement of financial position. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments, in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Held-for-trading financial assets and liabilities are subsequently measured at fair value, with changes in fair value recognized in the statement of income in the line item to which the financial instrument is related. Financial instruments classified as loans and receivables; and other liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial assets and financial liabilities are presented net when NorthPoint has a legally enforceable right to set off the recognized amounts and NorthPoint intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments are utilized by NorthPoint as part of its electricity trading activities. All derivative contracts are recognized as a financial asset or a financial liability on the trade date with the related income or expense on the settlement of sales or purchases of derivatives recorded in electricity trading revenue or expense respectively. NorthPoint has chosen not to designate its derivative instruments as hedges and as such all derivative financial instruments are classified as held-for-trading and recorded at fair value on the statement of financial position as risk management assets and liabilities with subsequent changes in fair value recognized in the statement of income.

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is determined by reference to quoted bid or ask prices, as appropriate, in the active market for that instrument to which NorthPoint has immediate access. When bid or ask prices are unavailable, NorthPoint uses the closing price of the most recent transaction of that instrument. In the absence of an active market, NorthPoint determines fair value based on internal and external valuation models. Fair values determined using valuation models require the use of assumptions including market volatility and discount factors.

NorthPoint has elected to record embedded derivatives only for contracts or derivative financial instruments entered into or modified after January 1, 2003. As at December 31, 2008, NorthPoint does not have any outstanding contracts or derivative financial instruments with embedded derivatives that are required to be separately valued.

NorthPoint has no other comprehensive income or loss transactions during the year and no opening or closing balance of accumulated other comprehensive income (loss).

(f) Employees' future benefits

NorthPoint provides pension plans for all eligible employees, including a defined contribution pension plan and a defined benefit pension plan. Under the defined contribution pension plan, NorthPoint's obligations are limited to contributions made for current service. When made, these contributions are charged to income. Defined benefit pension plan benefits are provided by SaskPower to eligible employees.

NorthPoint provides defined contribution and defined benefit severance plans for substantially all employees. NorthPoint's obligations are limited to making regular contributions to SaskPower in respect of severance plan benefits.

NorthPoint provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. NorthPoint's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

(g) Future accounting policy changes

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS in place of Canadian generally accepted accounting principles (GAAP) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

NorthPoint has commenced its IFRS conversion project and developed a high level IFRS implementation plan. An external advisor has been engaged by SaskPower to assist with the development of this plan and to perform a detailed review of the major differences between current Canadian GAAP and IFRS. At this time, the impact on NorthPoint's future financial position and results of operations is not reasonably determined or estimated.

3. CHANGE IN ACCOUNTING POLICIES

Financial instruments – disclosure and presentation

Effective January 1, 2008, NorthPoint adopted the new Canadian Institute of Chartered Accountants Section 3862, "Financial Instruments – Disclosures," and Section 3863, "Financial Instruments – Presentation." These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation." The impact of implementing these new standards has been disclosed in *Notes 8 and 9*.

Capital disclosures

Effective January 1, 2008, NorthPoint adopted Section 1535, "Capital Disclosures." The new required disclosure regarding what NorthPoint defines as capital and its objectives, policy and process for managing capital is provided in *Note 10*.

4. ELECTRICITY TRADING REVENUE BY GEOGRAPHIC LOCATION (in thousands)

	2008		2007	
Canada	\$	47,546	\$	44,270
United States		77,583		80,213
Electricity trading revenue	\$	125,129	\$	124,483

Revenue is attributable to countries based on the location of counterparties.

5. SHARE CAPITAL (in thousands)

	#	2008	#	2007
Authorized				
Unlimited Class A non-cumulative, voting common shares				
Issued				
Class A				
Issued and outstanding, beginning of year	10,000	\$ 10,000	10,000	\$ 10,000
Issued during the year for cash	-	-	-	-
Issued and outstanding, end of year	10,000	\$ 10,000	10,000	\$ 10,000

All shares are held by the parent corporation, SaskPower.

6. EMPLOYEES' FUTURE BENEFITS (in thousands)

NorthPoint contributed \$529 (2007 - \$506) to the plans described in Note 2(f).

7. RELATED PARTY TRANSACTIONS (in thousands)

Included in these financial statements are various related party transactions, substantially all of which are with SaskPower. NorthPoint also has a variety of other transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to NorthPoint by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Included in prepaid expenses and deposits are certain costs related to NorthPoint's occupancy of space leased by SaskPower. The costs of \$457 are being amortized over a five-year period, being the term of the SaskPower lease. The carrying value at December 31, 2008, is \$388. The rental charge from SaskPower is included in administration expense in the table below.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2008	2007
SaskPower services revenue	\$ 7,407	\$ 7,676
Electricity trading expense	189	338
Administration expense	6,074	4,844
Due from SaskPower	2,535	-
Due to SaskPower	-	654
Dividends payable	16,562	11,631

In addition, NorthPoint pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

8. FINANCIAL INSTRUMENTS (in thousands)

The following summarizes the carrying amounts and fair values of NorthPoint's financial instruments:

At December 31		2008		2007	
		Asset (liability)		Asset (liability)	
Financial instrument	Classification ⁴	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	HFT ¹	\$ 33,380	\$ 33,380	\$ 25,480	\$ 25,480
Accounts receivable	L&R ²	6,338	6,338	10,885	10,885
Due from SaskPower	L&R ²	2,535	2,535	—	—
Financial liabilities					
Accounts payable and accrued liabilities	OL ³	\$ (9,363)	\$ (9,363)	\$ (7,770)	\$ (7,770)
Due to SaskPower	OL ³	—	—	(654)	(654)
Dividends payable	OL ³	(16,562)	(16,562)	(11,631)	(11,631)

1. HFT – held-for-trading.

2. L&R – loans and receivables.

3. OL – other liabilities.

4. NorthPoint has not classified any of its financial instruments as either held-to-maturity or available-for-sale.

These financial instruments approximate fair value due to the short period to maturity.

Risk management assets and liabilities

The following summarizes the market value gains and losses on NorthPoint's risk management activities:

At December 31		2008		2007		2008
		Asset	Liability	Asset	Liability	Market value gains (losses)
Electricity trading contracts (HFT¹)						
Forwards	\$	388	\$ (248)	\$ 91	\$ (134)	\$ 183
Contracts for differences		81	(321)	41	—	(281)
Risk management instruments	\$	469	\$ (569)	\$ 132	\$ (134)	\$ (98)

1. HFT – held-for-trading.

Fair values for risk management instruments, including forward electricity contracts and contracts for differences, are determined by valuing the underlying contracts using year-end market prices.

9. FINANCIAL RISK MANAGEMENT (in thousands)

Market risk

Electricity trading contracts

NorthPoint is exposed to electricity price risk on its electricity trading activities. NorthPoint has a Risk Management Manual which governs the commodity transactions undertaken in its proprietary trading business. Electricity trading risks are subject to limits and controls, including Value at Risk ("VaR") limits. VaR is the most commonly used metric employed to track and manage the market risk associated with trading positions. A VaR measure gives, for a specific confidence level, an estimated maximum loss that could be incurred over a specified period of time. VaR is used to determine the potential change in value of NorthPoint's proprietary portfolio, over a 10-day period within a 95% confidence level, resulting from normal market fluctuations. VaR is estimated using the historical variance/covariance approach.

VaR is a measure that has certain inherent limitations. The use of historical information in the estimate assumes that price movements in the past will be indicative of future market risk. As such, it may be only meaningful under normal market conditions. Extreme market events are not addressed by this risk measure. In addition, the use of a 10-day measurement period implies that positions can be unwound or hedged within that period, however, this may not be possible if the market becomes illiquid.

NorthPoint recognizes the limitations of VaR and actively uses other controls, including restrictions on authorized instruments, and volumetric and term limits.

Changes in market prices associated with proprietary trading activities affect net income in the period that the price changes occur. VaR at December 31, 2008, associated with NorthPoint's proprietary trading activities was \$1,300.

Foreign exchange

By virtue of its operations, NorthPoint is exposed to changes in the United States/Canadian dollar exchange rate. NorthPoint purchases electricity from and sells electricity to the United States market and must recognize translation gains and losses based on the exchange rate in effect at the transaction date. NorthPoint's sensitivity to changes in the U.S. dollar is immaterial and, therefore, has not provided a sensitivity analysis of the impact on net income.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

NorthPoint maintains strict credit policies and limits in respect to counterparties, including regional transmission operators. The maximum credit risk to which NorthPoint is exposed as at December 31, 2008, is limited to the fair value of the financial assets recognized as follows:

Financial assets	2008	2007
Cash and cash equivalents	\$ 33,380	\$ 25,480
Accounts receivable	6,338	10,885
Risk management assets	469	132
	\$ 40,187	\$ 36,497

- Cash and cash equivalents include short-term investments made by SaskPower on NorthPoint's behalf that have a maturity date of 90 days or less from the date of acquisition. Short-term investments are invested in accordance with Board-approved credit policies and limits in respect to short-term investments. The credit risk related to these investments is considered low.
- For the year ended December 31, 2008, sales to three significant customers comprised 80% (2007 - four significant customers comprised 75%) of electricity trading revenue. At year-end, receivables from three customers comprised 72% (2007 - three customers comprised 48%) of total outstanding receivables. These amounts have been subsequently received.
- NorthPoint is also exposed to credit risk arising from risk management instruments if a counterparty fails to meet its obligations. NorthPoint maintains Board-approved credit policies and limits in respect to its counterparties.

Liquidity risk

Liquidity risk is the risk that NorthPoint is unable to meet its financial commitments as they become due or can do so only at excessive cost. NorthPoint manages cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of NorthPoint's financial liabilities:

Financial liabilities	Carrying amount	Contractual cash flows	Contractual cash flows				
			0 - 6 months	7 - 12 months	1 - 2 years	3 - 5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 9,363	\$ 9,363	\$ 9,363	\$ -	\$ -	\$ -	\$ -
Dividends payable	16,562	16,562	16,562	-	-	-	-
Risk management liabilities	569	569	410	159	-	-	-
	\$ 26,494	\$ 26,494	\$ 26,335	\$ 159	\$ -	\$ -	\$ -

Management believes its ability to generate and acquire funds will be adequate to support these financial liabilities.

10. CAPITAL MANAGEMENT

NorthPoint's objectives when managing capital are to ensure adequate capital to support the operations and growth strategies for the Corporation. NorthPoint receives its long-term capital funding primarily from SaskPower.

11. COMMITMENTS (in thousands)

At year-end, NorthPoint had commitments for electricity purchases of \$11,164 (2007 - \$4,502) and electricity sales of \$15,196 (2007 - \$4,945). Electricity purchases include \$11,164 (2007 - \$4,502) and electricity sales include \$5,084 (2007 - \$1,301) of transactions denominated in U.S. dollars. These contracts are considered risk management instruments, and changes in their fair value are included in net income.

NorthPoint has issued letters of credit in the amount of \$862 (2007 - \$250).

12. COMPARATIVE FIGURES

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.



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